COMMITTEE REPORT NO. 03 14 (2) TABLED ON MAR 2 1 2000

Northwest Territories
Legislative Assembly

Standing Committee on Governance and Economic Development

Review of the 2000/2001 Interim Appropriations

Chair: Mr. Floyd Roland

Northwest Territories Legislative Assembly

March 21, 2000

SPEAKER
LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES

Mr. Speaker:

The Standing Committee on Governance and Economic Development is pleased to present its Report on the Review of the 2000/2001 Interim Appropriation.

FLOYD ROLAND, MLA
CHAIRPERSON

Yellowknife, Northwest Territories, Canada X1A 2L9 Fax (403) 920-4735 Telephone (403) 669-2200

14th Assembly

Legislative Assembly of the Northwest Territories

Committee Members

Chairperson

Mr. Floyd Roland
MLA Inuvik Boot Lake

Deputy Chairperson

Ms. Sandy Lee
MLA Range Lake

Mr. Paul Delorey
MLA Hay River North

Mr. Bill Braden
MLA Great Slave

Mr. David Krutko
MLA Mackenzie Delta

Mr. Steven Nitah
MLA Tu Nedhe

Staff

Clerk

Mr. Doug Schauerte

Research

Ms. Laurell Graf
Mr. Doug Pon

Review of the 2000-2001 Interim Appropriation

Standing Committee on Governance and Economic Development

Standing Committee on Governance and Economic Development 2

Department of the Executive 2
- Corporate Human Resources Services 2
- Regional & Community Affairs Division 2
- Proposed Increase in Positions 3

Department of Finance 3
- Short Term Interest Expense 3
- Insurance Costs 4
- Tangible Capital Assets & Insurance Costs 4

Financial Management Board Secretariat 5
- Continuing Legal Costs 5
- Pension Reform 6
- PeopleSoft 6
- Tangible Capital Assets 6
- Staff Housing 7
- Financial Information System (FIS) 7

Department of Transportation 7
- Highway No. 3 8
- Highway Strategy 8
- Funding for Community Access Roads & Other Projects 9
- Funding Discrepancies 9

Department of Public Works & Services 9
- Petroleum Revolving Fund 9
- Privatization of Petroleum Products Division (PPD) 10
- Proposed Renovations for the Laing Building 11
- Records Management 11

Ministry of Aboriginal Affairs 12
- Request for Additional Staff 12
- Role of Government 12
- Quarterly Progress Report 12
- Office Space Renovations 13

Department of Municipal & Community Affairs 13
- Forced Growth 13
- Land Development 13
- Funding for Capital Projects 14

Department of Resources, Wildlife & Economic Development 14
- Economic Diversification 14
- Funding for Economic Development 15
- Dual Ministerial Responsibilities 15
- Funding for Capital Projects 15

Standing Committee on Governance and Economic Development

Department of the Executive

The Committee met with the Premier and his staff on March 17, 2000 to review the proposed 2000-2001 Interim Appropriation for the Department. The Committee made note of the following issues.

Corporate Human Resources Services

Corporate Human Resources develops and monitors the government recruitment policy, the Affirmative Action and other government-wide human resource policies. (see p. 1, O & M, Departmental Submissions, Executive, 2000-2001 Interim Appropriation)

The Committee was concerned that the Government does not reflect the population of the NWT at the management and headquarters level.

The Premier suggested that Affirmative Action could be the topic of a Full Caucus retreat.

Further, the Premier agreed to supply the latest Affirmative Action statistics for the Government.

Regional & Community Affairs Division

The Regional and Community Affairs Division has been established to assist the Government of the Northwest Territories in communicating government-wide agendas, goals, strategies and initiatives to communities, the public, the regional staff and headquarters employees.

The Premier elaborated that it was important to recognize where the regions are heading and that there must be recognition of self-government agreements.

The Committee would like to be apprised of the mandate of the Regional and Community Affairs Division and other developments related to this initiative.

The Committee also agreed to send a letter to the Premier confirming its attendance in a 'think tank' session in regard to this Division.

Proposed Increase in Positions

Committee Members noted that $332,000 in additional proposed funding directed towards the Cabinet Secretariat and Ministers' Offices activities. The Government had explained in its interim appropriation submission that a significant portion is designated for additional positions. (see p. 2, Cabinet Secretariat, Ministers' Offices, 2000-2001 Interim Appropriation; see also p.1, O & M, Departmental Submissions, Executive, 2000-2001 Interim Appropriation)

The Committee was concerned that given our current fiscal situation, the proposed addition of more positions to the Department may be inappropriate.

The Premier, at the request of the Committee, agreed to provide an inventory of positions and describe their respective roles within the Department.

The Premier also agreed to provide salary information and the necessary O & M for each of the Cabinet Secretariat's positions, current and proposed.

Department of Finance

The Committee met with the Minister and his staff on March 16, 2000 to review the proposed 2000-2001 Interim Appropriation for the Department. The Committee made note of the following issues.

Short Term Interest Expense

Committee Members were concerned with the cost of short term interest expense. (See p. 2, Treasury, Department of Finance, proposed 2000-2001 Interim Appropriation; see also: p. 1, Banking and Cash, Departmental Submission, Department of Finance, proposed 2000-2001 Interim Appropriation.)

The Department replied that some funding requirements are more economically met with short term financing. This methodology would result in more savings than, for example, a long term borrowing obligation to meet a short-term need.

Insurance Costs

The Committee was also concerned with the high cost of insurance and the very high deductible of one million dollars. (See p. 2, Treasury, Department of Finance, proposed 2000-2001 Interim Appropriation; see also: p. 1, Banking and Cash, Departmental Submission, Department of Finance, proposed 2000-2001 Interim Appropriation.)

The Department replied that our insurance costs are ours alone and do not reflect any obligations for Nunavut.

Further to the Committee's concerns, the Department explained that the Department of Finance under the Financial Administration Act, and to increase economies of scale, is responsible for purchasing insurance for all government departments.

The Department responded that the current deductible is the most cost effective especially given our severe loss record.

Committee Members asked the Minister if there are initiatives underway to improve security at schools and other large capital assets to help bring down our insurance costs. (See p. 2, Treasury, Department of Finance, proposed 2000-2001 Interim Appropriation; see also: p. 1, Banking and Cash, Departmental Submission, Department of Finance, proposed 2000-2001 Interim Appropriation.)

The Minister replied that the Government's insurance policy covers all our assets, and schools only represent a portion of the total portfolio.

He agreed to look at other alternatives for reducing insurance costs, but insurance costs will most likely decline in the short term.

He further added that departments including MACA, PWS and ECE are working together to come up with more alternatives to reduce insurance costs.

Tangible Capital Assets & Insurance Costs

The Committee asked the Minister if the proposed Tangible Capital Assets reporting program would entail problems for the government's insurance coverage and corresponding premium payable. (See p. 2, Treasury, Department of Finance, proposed 2000-2001 Interim Appropriation; see also: p. 1, Banking and Cash, Departmental Submission, Department of Finance, proposed 2000-2001 Interim Appropriation.)

The Department replied that if valuations made by the reporting system, based on amortized or depreciated value, are substantially more than the insurance company's which is based on replacement value, the Department may drop the asset from the list of insured assets.

Part of the Tangible Capital Assets program entails the amortization of an asset over a prescribed time period, or depreciation. If insurance only covered the depreciated value of an asset then the government may most likely not receive enough insurance reimbursement to replace the asset. Currently, this hypothetical situation is avoided as the government's insurance policy is based on replacement value.

Financial Management Board Secretariat

The Committee met with the Chair of the Financial Management Board Secretariat (FMBS) and his staff on March 16, 2000 to review the proposed 2000-2001 Interim Appropriation for the Department. The Committee made note of the following issues.

Continuing Legal Costs

Committee Members were concerned about continuing legal costs for (see p. 3, Labour Relations and Compensation Services, FMBS, 2000-2001 Interim Appropriation; see also p.1, Labour Relations and Compensation Services, Departmental Submissions, FMBS, 2000-2001 Interim Appropriation):

1. Equal Pay litigation;
2. Pension Reform; and
3. Collective Bargaining.

(see p. 3, Labour Relations and Compensation Services, FMBS, 2000-2001 Interim Appropriation; see also p.1, Labour Relations and Compensation Services, Departmental Submissions, FMBS, 2000-2001 Interim Appropriation)

The Committee asked the Minister how long would we continue to incur legal costs to settle the before-mentioned issues. The Minister explained that:

1. The Pay Equity settlement is still being negotiated with PSAC;
   The Government is under the understanding that 83% of the potential litigants have reached settlement and a further thirty-three million dollars may be necessary to reach settlements with the remainder.

However, the union is of the position that the settlements are partial payments, and the final overall settlement should be three hundred million dollars.

2. The proposed funding for research and consultation surrounding the pension reform issue is a one-time activity.

3. Collective bargaining will always be an on-going process.

Pension Reform

The Committee was also concerned with the funding necessary for pension reform in succeeding fiscal years to ensure the Superannuation Plan for Government of the Northwest Territories' employees is fully funded. (see p. 3, Labour Relations and Compensation Services, FMBS, 2000-2001 Interim Appropriation)

The Minister replied that the Government is working with the union on cost-effective alternatives to the current pension scheme.

PeopleSoft

Committee Members were also concerned with additional funding requested for the PeopleSoft program. The Department informed the Committee that the proposed funding is for system upgrades and to fulfill the remainder of the government's contract obligations for PeopleSoft. (see p. 2, Labour Relations and Compensation Services, FMBS, 2000-2001 Interim Appropriation; see also p.1, Labour Relations and Compensation Services, Departmental Submissions, FMBS, 2000-2001 Interim Appropriation)

Tangible Capital Assets

The Committee was concerned with further requests for funding for the Tangible Capital Assets reporting system. (see p. 3, Budgeting and Evaluation, FMBS, 2000-2001 Interim Appropriation)

Committee Members commented that most government departments might not have the qualified staff to ensure their contribution to the valuation and reporting process is met.

The Minister replied that the system would be up and running, and auditable by March 31, 2001.

He further added that departments have qualified staff to complete the necessary tasks for the program.

Furthermore, he explained that this initiative might be an on-going item as the Government continually procures or divests infrastructure.

Staff Housing

Committee Members were concerned with the ongoing costs for staff housing. The Committee was of the understanding that the government was projected to be out of the staff housing program years ago. (see p. 2, Directorate, FMBS, 2000-2001 Interim Appropriation; see also p.1, Directorate, Departmental Submissions, FMBS, 2000-2001 Interim Appropriation)

The Minister will provide the Committee with an inventory of all staff housing units, their location, their respective appraised values and maintenance costs.

Financial Information System (FIS)

The Committee noted that the GHRS (Government Human Resources System) and the HRIS (Human Resources Information System) components of the FIS reporting system formerly utilized by the Government have now been replaced with the new PeopleSoft system. Committee Members were concerned why additional funding has been requested for the FIS program.

The Government Accounting activity requested $65,000 in funding for 'FIS maintenance and contract report'. (see p. 2, Government Accounting, FMBS, 2000-2001 Interim Appropriation; see also p.1, Government Accounting, Departmental Submissions, FMBS, 2000-2001 Interim Appropriation)

The Minister at the request of the Committee will determine if the proposed funding for FIS is for the entire fiscal year or for the interim period, and will report back to the Committee.

Department of Transportation

The Committee met with the Minister and his staff on March 17, 2000 to review the proposed 2000-2001 Interim Appropriation for the Department. The Committee made note of the following issues.

Traffic Volume on NWT Highways

Committee Members were concerned with the traffic volumes on the NWT highway systems, especially the Liard, and Highway No. 3 where there may be increased volume resulting from increased oil and gas, and diamond mine development respectively. Committee Members were also concerned with traffic volumes for the near to mid term.

The Minister agreed to provide the Committee with a report on traffic volumes, including forecasts for all NWT highway systems.

Highway No. 3

Committee Members questioned why contracts for Highway No. 3 were not scheduled to be awarded until July.

The Minister replied that the highway is a design/build project and as such represents significant savings over previous approaches as design faults rest exclusively with the builder.

Highway Strategy

Committee Members had discussions with the Minister about various highway development options. One of those options discussed was a highway be built alongside the proposed pipeline. A parallel highway would not only provide transportation links for communities near the pipeline, but also represents improved access to resources and value for money.

Further, the Committee informed the Government that many Aboriginal groups would not support a pipeline without the proposed parallel highway.

The Committee asked the Department if it had a comprehensive strategy to improve our highway systems, that will result in increased access for remote communities and to resources such as those in the Slave Lake Geologic Region.

The Minister at the request of the Committee agreed to provide a summary report of the Government's highway strategy report to Members.

Funding for Community Access Roads & Other Projects

Committee Members were concerned with the lack of funding for community access road projects. Members noted that some communities receive funding whereas some do not. Members recommended that if funding cuts are to be made, they should be made equally amongst all regions and communities not just specific areas or municipalities. (see p. 4, Capital, Departmental Submission, Department of Transportation, 2000-2001 Interim Appropriation)

Additionally, Committee Members added that projects such as community access roads are especially important to small communities. In many communities these small capital projects are the only available employment opportunities for the entire year.

The Committee recommended that if funding cuts are considered in any programs or services within Government, they should be made equally 'across the board'.

Funding Discrepancies

Finally, the Committee submitted a list of capital projects described in the proposed Interim Appropriation that had funding discrepancies with their funding allocations as listed in the 2000-2001 Five Year Capital Plan to the Department for further explanation prior to consideration of the proposed 2000-2001 Interim Appropriation in the House. The Minister agreed. (see p. 1-5, Capital, Departmental Submissions, Department of Transportation, 2000-2001 Interim Appropriation)

Department of Public Works & Services

The Committee met with the Minister and his staff on March 17, 2000 to review the proposed 2000-2001 Interim Appropriation for the Department. The Committee made note of the following issues.

Petroleum Revolving Fund

The Petroleum Revolving Fund has a limit of five million dollars. The purpose of the fund is to subsidize the storage and distribution of petroleum products in 17 remote communities in the Northwest Territories. Committee Members in light of the recent increase in the price of oil, the Petroleum Revolving Fund may have exceeded its five million dollar limit.

The Department replied that the fund currently has a deficit of 2.8 million dollars and is projected to add another 1.0 million dollars in debt for the upcoming fiscal year. The Minister further explained that increases in the price of petroleum products in the Department's client communities averted any chance of the Fund exceeding its cap.

Committee Members commented that the prices of petroleum products were already high and the recent price increase made by the Department did not help any. Many consumers are also not aware of subsidies for fuel.

The Committee noted that the high price of fuel especially affects the elderly and those on income support. This puts extra strain on the resources of the Government's social envelope. Many consumers are also not aware of subsidies for fuel.

Committee Members recommended that by absorbing any increases in the price of fuel, there may very well mean saving for the Government in other activities, such as within the social envelope.

At the request of the Committee, the Minister agreed to provide the fuel pricing rationale for review by Members.

The Committee also recommended that subsidies for fuel be clearly identified for the consumer.

Privatization of Petroleum Products Division (PPD)

Committee Members were concerned that if the PPD were to be privatized, it should be sold in its entirety to one corporation, thus ensuring economies of scale are maintained. Any community not supplied by the potential purchaser will require further fuel price subsidization by the Government, who will no longer have any economy of scale of its own. The result of not selling the entire operation to one entity may most likely mean higher levels of government expenditures to maintain an affordable level of fuel pricing in unserviced communities.

Committee Members also noted that by selling the PPD, subsidies to the fuel price might no longer be possible, as the Government will no longer be in the petroleum storage and distribution business.

The Government at the request of the Committee agreed that if the Petroleum Products Division was to be considered for sale, a call for proposals is publicly advertised, and the division be sold as a single entity.

Proposed Renovations for the Laing Building

Committee Members raised the issue of renovating the Laing Building as one that has a long history.

Further, the Committee pointed out that there is much unutilized office space being leased by the Government to which the potential and existent tenants of the Laing Building could move.

Furthermore, Members suggested that all options should be considered if larger or more specialized spaces are required, including private sector investments.

The Minister at the request of the Committee agreed to provide the Members with a rationale and a briefing by Department staff to explain the proposal for further renovations for the Laing Building.

Records Management

Currently the Government leases warehouses and other costly storage space to store vast amounts of records. (see p. 1, O & M, Departmental Submissions, PWS, 2000-2001 Interim Appropriation)

The Committee noted that a more current records storage system, including microfiche be considered to ensure better use of existing space and perhaps a more manageable records system.

Further, the Committee noted that this is not a new area as previous Legislative Assemblies have made this recommendation as well.

Committee Members recommended that the Government's record system might be better managed and operated with the adoption of a more current records management system.

However, the Department replied that although it provides the lead for records management for all Government departments, the departments are responsible for their own records management.

Further, the Department summarized that the Government is only in the infancy of its records management and will take some progress before a more current records management system can be considered.

Ministry of Aboriginal Affairs

The Committee met with the Minister and his staff on March 17, 2000 to review the proposed 2000-2001 Interim Appropriation for the Department. The Committee made note of the following issues.

Request for Additional Staff

The Ministry of Aboriginal Affairs requested an additional five positions to assist with negotiations. Two teams, each consisting of a chief negotiator and an assistant negotiator, will be hired to participate in the Deh Cho and Akaitcho self-government negotiations on behalf of the Government of the Northwest Territories. The Ministry will be further supported by the proposed addition of a policy analyst. (see p. 3, Aboriginal Affairs, 2000-2001 Interim Appropriation)

Committee Members suggested that the Ministry may wish to better utilize its current staff given fiscal realities. All departments should be looking from within for additional resources.

Role of Government

The Committee asked the Minister for the role of the Government of the Northwest Territories at the negotiating tables.

The Department replied that the role of the Territorial Government is to ensure the overall interests of the people of the Northwest Territories are represented and protected at the negotiating table.

Quarterly Progress Report

Committee Members were concerned with the lack of progress at the negotiating tables. The Committee recognizes the importance of the negotiations, but are of the perception that Government may not be concurrent with the pace of progress.

The Committee recommends that the Ministry provide a quarterly progress report on negotiations for review by Committee Members.

Office Space Renovations

The Ministry proposed the additional office renovations to accommodate the proposed additional staff. (see p. 3, Aboriginal Affairs, 2000-2001 Interim Appropriation; see also p.1, Capital, Departmental Submissions, Aboriginal Affairs, 2000-2001 Interim Appropriation)

Committee Members recommended that the Ministry utilize vacant office space that is leased by the Government of the Northwest Territories before renovating existing space. This will represent significant cost savings for the Ministry and the Government.

Department of Municipal & Community Affairs

The Committee met with the Minister and his staff on March 17, 2000 to review the proposed 2000-2001 Interim Appropriation for the Department. The Committee made note of the following issues.

Forced Growth

The Committee noted that in the opening remarks given by the Minister, the Department gave notice that a "forced growth request for consideration of the Financial Management Board" was made recently but "was not reflected in the Interim Appropriation request".

The Committee asked the Minister for further detail, and he explained the request, is to ensure increased fuel costs are met for the remainder of the year. The request for $730,000 in proposed forced growth is still waiting for consideration by the Financial Management Board.

The Department at the request of the Committee agreed to provide further detail concerning the request.

Land Development

Committee Members noticed that some communities received funding for land development whereas some did not. (see p. 3-4, Land and Buildings, Capital, Departmental Submissions, MACA, 2000-2001 Interim Appropriation)

In many smaller communities, capital projects including land development provide much needed employment opportunities, and an important contribution to the local economy.

The Committee reiterated its position for equal across the board funding cuts, instead of funding cuts to specific regions or communities.

The Department, at the Committee's request, agreed to provide additional details concerning all existing and proposed land development projects.

Funding for Capital Projects

The Committee in its review of the proposed 2000-2001 Interim Appropriation and the 2000-2001 Five-Year Capital Plan noted that some capital projects were the subject of funding discrepancies. (see p.1-4, Capital, Departmental Submissions, MACA, 2000-2001 Interim Appropriation)

Committee Members were also concerned that funding may have weighted favorably for Ministers' constituencies.

The Department at the request of the Committee agreed to provide further detail concerning any funding discrepancies for its capital projects to the Committee prior to the review of the proposed Interim Appropriation in the Legislative Assembly.

The Department also agreed to provide to the Committee a constituency breakdown of all proposed capital projects that were put on hold.

Department of Resources, Wildlife & Economic Development

The Committee met with the Minister and his staff on March 18, 2000 to review the proposed 2000-2001 Interim Appropriation for the Department. The Committee made note of the following issues.

Economic Diversification

Committee Members were concerned some activities, especially grants and contributions for economic development may not represent value for money. However, the Committee recognized that sectors such as fisheries, hunting and trapping represent more than a return on government investment.

The Department explained that it uses an economic framework, which establishes parameters for investment. Prior to amalgamation of the Department into the current Resources, Wildlife and Economic Development (RWED), the latter entity operated as an independent department. The former department, Economic Development had a grants and contributions program that the now amalgamated department of RWED continues.

Funding for Economic Development

Committee Members noted that over six million dollars in proposed funding during the interim period have been allocated for firefighting. The Committee supports the Department's efforts to ensure a minimal fire season. However, the Committee noted that it is difficult to obtain funding for economic development initiatives.

The Committee reiterates its support for increased economic development in the smaller communities. In many communities, public sector investment is essential for their fiscal well being.

Dual Ministerial Responsibilities

The Committee was concerned that the Minister of Resources, Wildlife and Economic Development is also the Premier. Committee Members pointed out the rationale for the addition of a Ministerial position to the current Cabinet was to ensure that there is an equal workload amongst the Ministers.

The Premier replied that certain sub-portfolios are delegated out from his portfolio to other Ministers. However, Committee Members were concerned a divisively managed portfolio may result in accountability and clarity problems.

Funding for Capital Projects

The Committee in its review of the proposed 2000-2001 Interim Appropriation and the 2000-2001 Five-Year Capital Plan noted that some capital projects were the subject of funding discrepancies. (see p.1-11, Capital, Departmental Submissions, RWED, 2000-2001 Interim Appropriation)

The Department, at the request of the Committee agreed to provide further detail concerning any funding discrepancies for its capital projects to the Committee prior to the review of the proposed Interim Appropriation in the Legislative Assembly.

Sole-Source Contracts

Due to time constraints, the Committee did not have the opportunity to discuss sole-source contracts and may address this issue in the Legislative Assembly.